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Message Text

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ACTION STR-07

INFO OCT-01 ARA-10 IO-13 ISO-00 STRE-00 CIAE-00
DODE-00 NSAE-00 NSCE-00 SSO-00 ICAE-00 INRE-00
AGRE-00 CEA-01 COME-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 PA-01 CTME-00 AID-05 SS-15
ITC-01 TRSE-00 SP-02 SOE-02 OMB-01 DOE-15 AF-10
EA-10 EUR-12 NEA-11 OIC-02 XMB-02 /155 W
----------116641 162059Z /62
O 162010Z MAY 78
FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 7527
INFO USMISSION GENEVA
AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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DEPT PASS STR ELECTRONICALLY FOR AMB WOLFF

DEPT PASS TREASURY FOR BERGSTEN

USMTN

EO 11652: N/A
TAGS: ETRD, MTN, BR
SUBJ: PRESS COVERAGE OF US-BRAZIL SUB-GROUP ON TRADE SESSIONS
MAY 8-9

REFS (A) BRASILIA 3719, (B) BRASILIA 3791, (C) BRASILIA 3792,
(D) BRASILIA 3793, (E) BRASILIA 3794

1. BEGIN UNCLASSIFIED. SUMMARY. DURING THE PERIOD ENDING
MAY 12, PRESS COVERAGE ON US-BRAZIL SUB-GROUP ON TRADE SESSION
MAY 8-9 IN BRASILIA WAS MODERATE BUT GENERALLY FAVORABLE,
COVERAGE OF AND REACTION TO TREASURY ASST. SECRETARY BERGSTEN'S
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MA6 9 SPEECH TO US-BRAZIL CHAMBER OF COMMERCE IN NEW YORK
COMPETED FOR SPACE ON US-BRAZIL TRADE RELATIONS. SEVERAL NEWS-
PAPER STORIES ALLEGED, HOWEVER, THAT AMB. WOLFF HAD EXPRESSED
US ACCEPTANCE OF AN INTERNATIONAL TRADE TRIBUNAL FOR THE DETER-
MINATION OF INJURY UNDER A GATT SUBSIDIES/CVD CODE.

2. THE US-BRAZIL SUB-GROUP ON TRADE MET IN BRASILIA MAY 8-9.

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THE US DELEGATION WAS HEADED BY AMB. WOLFF, WHO ALSO MADE CALLS ON THE MINISTERS OF FOREIGN AFFAIRS, FINANCE, COMMERCE AND INDUSTRY AND PLANNING.THE FIRST MAJOR PRESS ARTICLE REPORTING THE SUB-GROUP SESSIONS WAS IN THE MAY 9 JORNAL DO BRASIL (RIO DE JANEIRO), WHICH CARRIED A FAIRLY LENGTHY REPORT ON THE ITEMS TO BE DISCUSSED BY THE TWO SIDES. IT ALSO DISCUSSED AT SOME LENGTH BUT NO ENTIRELY ACCRUATELY THE BRAZIL-US REQUEST/OFF PROCEDURE. AMB. WOLFF WAS QUOTED TO THE EFFECT THAT THE US EXPECTED CONCESSIONS FROM BRAZIL IN RETURN FOR US ACCEPTANCE OF CERTAIN BRAZILIAN TRADE PRACTICES.

4. COVERAGE ON MAY 10 WAS MORE EXTENSIVE. MAJOR ITEM WAS A FIRST PAGE STORY IN GAZETA MERCANTIL (SAO PAULO) HEADLINED "US ACCEPTS DAMAGE TRIBUNAL". THE ARTICLE BY SENIRO EDITOR SIDNEI BASILE WAS BASED ON CONVERSATIONS HELD DURING A SMALL PRESS LUNCH FOR AMB WOLFF AND STATED THAT AMB WOLFF GAVE THE IMPRESSION THAT THE US WWOULD ACCEPT THE CREATION OF AN INTER-NATIONAL TRIBUNAL FOR THE DETERMINATION OF DAMAGES PROVOKED BY THE EXPORTS OF ONE COUNTRY TO THE ECONOMY OF ANOTHER. HE SAID THAT THE US, HOWEVER, WAS ONLY WILLING TO CONTEMPLATE THIS YPO-THESIS IF THE AGRUMENTS PRESENTED FOR EACH CASE WERE OF A "STRICTLY JUDICIAL NATURE". OTHER PAPTERS PICKED UP THIS THEME THE NEXT DAY. BOTH JORNAL DO BRASIL AND ESTADO DE SAO PAULO, MAY 11, CARRIED STORIES ON THE WOLFF-SILVEIRA MEETING AND REPORTED THAT THE FOREIGN MINISTER HEARD WOLFF THAT THE US ACCEPTED THE GATT DAMAGE CLAUSE. ESTADO DO SAO PAULO FOR INSTANCE, QUOTED SILVEIRA AS SAYING "THE US IS DISPOSED TO ACCEPT AN INTER-
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NATIONAL JUDGMENT (ON DAMAGES) WHICH THEY HAVE REJECTED UNTIL NOW." UNNAMED FOREIGN MINISTRY SOURCES WERE REPORTED BY THE ARTICLE AS REGARDING THIS AS AN "IMPORTANT BRAZILIAN VICTORY BECAUSE THIS HAS BEEN A BRAZILIAN DEMAND FOR SOME TIME".

5. BASILE'S GAZETA MERCANTIL ARTICLE OF MAY 10 WAS THE MAIN ARTICLE TO COME OUT OF WOLFF'S PRESS LUNCH OF MAY 9. BESIDE THE COVERAGE OF THE ALLEGED US ACCPETANCE OF INTERNATIONAL DETERMINATION OF INJURY, BASILE REPORTED WOLFF'S COMMENTS ON OTHER TRADE ISSUES. BASILE CHARACTERIZED WOLFF'S GATT PHILOSOPHY AS BEING THAT GATT SHOULD BE APOLITICAL AND ORIENTED TOWARD THE EXPANSION OF WORLD TRADE, NOT ITS CONTRACTION. WOLFF ADMITTED THAT LDCS SHOULD HAVE SOME S&D REGARDING SUBSIDIES AND DIRECTED HIS MOST SEVERE CRITICISM IN THIS AREA TO JAPAN. WOLFF EMPHASIZED THAT "FREE TRADE MUST BE FAIR TRADE". BASILE REPORTED THAT WOLFF GAVE THE IMPRESSION THAT THE NEW ADMINISTRATION PREFERRED AD-HOC ADJUSTMENTS TO A GENERAL REFORM OF GSP. THE ARTICLE ALLEGED THAT WOLFF HAD SAID THAT THE US AND BRAZIL HAD "LEGALISTIC" POSITIONS IN REGARD TO SUBSIDIES AND TARIFF QUESTIONSN WHEREAS JAPAN

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ACTED IN MORE OF A "CASUISTIC"MANNER. WOLFF REPEATED STATEMENTS MADE DURING SUB-GROUP SESSIONS THAT NON-TARIFF BARRIERS WERE MORE PERNICIOUS THAN TARIFF BARRIERS.

6. BEGINNING MAY 10, HOWEVER, REPORTS ON THE SUB-GROUP BECAME OVERSHADOWED BY COVERAGE OF BRAZILIAN OFFICIAL AND PRIVATE REACTION TO TREASURY ASST. SECRETARY BERGSTEN'S SPEECH TO THE US-BRAZIL CHAMBER OF COMMERCE IN NEW YORK. (THIS REACTION IS SUBJECT OF SEPTEL.) GAZETA MERCANTIL AND ESTADO DE SAO PAULO PRINTED REPORTS ON FINANCE MINISTER SIMONSEN'S REACTION TO BERGSTEN'S SPEECH AND ITS RELATION TO WOLFF'S VISIT. SIMONSEN SAID THAT THE TWO EVENTS WERE AN "UNFORTUNATE COINCIDENCE", BUT THAT HIS MEETING WITH WOLFF HAD GONE WILL. HE SAID THEY HAD FOCUSED ON GATT ISSUES, ESPECIALLY THE SUBSIDIES CODE, AND DID NOT DISCUSS BILATERAL ISSUES.

7. SEVERAL OBSERVERS CHOSE TO CONTRAST WHAT THEY REGARDED AS BERGSTEN'S "HARD LINE" APPROACH TO THE ATTITUDE SHOWN BY WOLFF
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DURING HIS STAY IN BRASILIA. FOR INSTANCE, GAZETA MERCANTIL'S

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EDITORIAL OF MAY 11 SAID: " COMPLETELY DIFFERENT FROM THE
PATERNALISTIC ATTIDUDE OF THE HIGH TREASURY OFFICIAL, THE
WOLFF MISSION DEMONSTRATED A TRUE DISPOSITION TO NEGOTIATEN
HAVING ADMITTED THE CREATION OF ANINTERNATIONAL TRIBUNAL TO
DUGE POSSIBLE DAMAGES CAUSED BY ONE COUNTRY'S EXPORTS TO ANOTHER'S
ECONOMY. IT IS THROUGH SUGGESTIONS SUCH AS THIS THAT DIFFERENCES
CAN BE RESOLVED, NOT BY REPRIMANDS AND THREATS OF RETALIATION."
BASILE'S GAZETA MERCANTIL ARTICLE INTERPRETED THE DIFFERENCE
BETWEEN THE BERGSTEN AND WOLFF APPROACHES AS SYMPTOMATIC
OF A DIVISION WITHIN THE US GOVERNMENT ON US-BRAZIL TRADE POLICY.

8. IN OTHER ARTICLES, JORNAL DO BRASIL, MAY 10, CARRIED A BRIEF
STORY ON THE CONCLUSION OF THE SUB-GROUP SESSION. WOLFF WAS QUOTED
AS SAYING THAT HE WAS "ABSOLUTELY SATISFIED. I CAN SAY THAT WE
MADE GREAT PROGRESS IN THESE TWO DAYS OF CONVERSATIONS...
AND THIS WILL CERTAINLY HELP US GREATLY IN GENEVA."
GAZETA MERCANTIL OF MAY 12 HAD A FAIRLY GENERAL ARTICLE ON
US-BRAZIL TRADE RELATIONS IN LIGHT OF SUB-GROUP SESSIONS
AND THE BERGSTEN SPEECH, WHICH INCLUDED THE STATEMENT THAT THE
FOREIGN MINISTRY "CONSIDERED THE US POSITION PRESENTED BY WOLFF
AS A FAVORABLE EVOLUTION, MAKING THE US POSITION MORE FLEXIBLE.
END UNCLASSIFIED BEGIN LOU.

9. EMBASSY WAS OF COURSE, SUPRISED AND DISTURBED BY THE CONCLUSION
THAT THE US WOULD ACCEPT INTERNATIONAL DETERMINATION OF
INJURIES CAUSED BY SUBSIDIZED EXPORTS. BASILE ACCEPTED EMBASSY'S
CORRECTION OF OVER-INTERPRETATION OF WOLFF'S REMARKS, BUT STILL
SEEMED TO THINK THAT ONLY THE HEADLINE--"US ACCEPTS DAMAGE
TRIBUNAL"--WAS OVERSTATEMENT. WE HAVE MADE OTHER EFFORTS THROUGH
PRESS CONTACTS TO CORRECT THE RECORD IN REGARD TO WOLFF'S
STATEMENTS AND US POSITION. END LOU.
JOHNSON
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